

PUBLIC PROTECTION AND REGULATION CABINET

Department of Financial Institutions

Division of Securities

(As Amended at ARRS, March 11, 2003)

808 KAR 10:260. Examination requirement for individuals advising the public on securities, broker-dealers, and agents.

RELATES TO: KRS 292.310, 292.330~~(5)~~ [(4)], (13)(b)6, 292.500(3)

STATUTORY AUTHORITY: KRS 292.330~~(5)~~ [(4)], (13)(b)6, 292.500(3)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 292.330~~(5)~~ [(4)] and (13)(b)6 authorize the commissioner to require an examination as evidence of knowledge of the securities business as a condition of registration. This administrative regulation requires an individual who advises the public regarding securities to successfully complete a written examination that demonstrates knowledge of the requirements of the securities laws and exempts certain individuals from the examination requirement.

Section 1. Except as provided in Section 2 of this administrative regulation, an individual, including an investment adviser or an investment adviser representative, who advises the public regarding the value of a security or the advisability of investing in, purchasing, or selling a security shall demonstrate competence in the law of securities by providing the commissioner with proof of obtaining a passing score, as determined by the National Association of Securities Dealers, on one (1) of the following examinations:

- (1) The Uniform Investment Advisor Law Examination (Series 65 examination); or
- (2)(a) The General Securities Representative Examination (Series 7 examination); and
- (b) The Uniform Combined State Law Examination (Series 66 examination).

Section 2. The following individuals shall not be required to take and pass the examination:

(1) An individual who ~~[is]~~ registered as an investment adviser or investment adviser representative in a state on or before January 1, 2000, ~~[Kentucky on the effective date of this administrative regulation,]~~ except that the commissioner shall require the examinations identified in Section 1 of this administrative regulation for an individual found to have violated a state or federal securities law;

(2) An individual (including an officer, partner, director, or clerical staff) employed by a registered investment adviser if the individual does not advise the public regarding the value of a security or the advisability of investing in, purchasing, or selling a security; ~~[or]~~

(3) ~~[An investment adviser who is exempt from registration under KRS 292.330(1);~~

(4) ~~An individual employed by an investment adviser who is exempt from registration under KRS 292.330(1); or~~

~~(5)]~~ An individual who currently holds one (1) of the following professional designations and is in compliance with all continuing education and other requirements of good standing for the designation:

- (a) Certified Financial Planner (CFP) issued by the Certified Financial Planner Board of Standards, Inc.;
- (b) Chartered Financial Consultant (ChFC) issued by The American College, Bryn Mawr, Pennsylvania;
- (c) Personal Financial Specialist (PFS) administered by the American Institute of Certified Public Accountants;
- (d) Chartered Financial Analyst (CFA) granted by the Association for Investment Management and Research; or
- (e) Chartered Investment Counselor (CIC) granted by the Investment Counsel Association of America; or

(4) An individual who, as of January 1, 2003:

(a) Had been engaged in the securities business as a licensed agent of a broker-dealer for at least fifteen (15) years; and

(b) Had no reportable disclosures on that person's Form U-4.

Section 3. A registered investment adviser shall not employ an individual as an investment adviser or as one who represents an investment adviser unless that individual has complied with this administrative regulation.

Section 4. To register in Kentucky as a broker-dealer or agent, an individual or a principal, if the applicant is a corporation, shall:

(1) Pass the appropriate examination, which depending on the proposed business, shall be one (1) of the following National Association of Securities Dealers ("NASD") examinations: Series 1, 2, 6, 7, 11, 17, 22, 24, 26, 39, 40, 52, 53, or 62; and

(2) Pass the North American Securities Administrators Association ("NASAA") [NASD] Series 63 or Series 66 examination.

ELLA ROBINSON, Commissioner

APPROVED BY AGENCY: January 8, 2003

FILED WITH LRC: January 10, 2003 at 1 p.m.